

PUBLIC DISCLOSURE

September 30, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

HAMPDEN BANK

Certificate # 90283

**19 HARRISON AVENUE
SPRINGFIELD, MA 01102**

**Division of Banks
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<p>NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate- income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Agency (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **Hampden Bank (or the Bank)** prepared by the Division and the FDIC (the agencies), the institution's supervisory agencies, as of **September 30, 2014**. The agencies evaluate performance in assessment area(s), as the institution, rather than individual branches delineate them. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00. The FDIC rates the CRA performance of the institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

THE INSTITUTION IS RATED High Satisfactory by the Division.
THE INSTITUTION IS RATED Satisfactory by the FDIC.

The following table indicates the performance level of Hampden Bank with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	<u>HAMPDEN BANK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			X
High Satisfactory	X		
Satisfactory**		X	
Needs to Improve			
Substantial Noncompliance			

** Note: The agencies place more weight on the Lending Test when arriving at an overall rating*

***Note: FDIC rules and regulations stipulate use of a "High Satisfactory" and "Low Satisfactory" rating for the three tests. For purposes of this jointly issued public evaluation, the term "Satisfactory" will be used in lieu of the "Low Satisfactory" rating for the Lending, Investment, and Service Test ratings.*

LENDING TEST

The Lending Test is rated **High Satisfactory** based on the following:

- The Bank's lending levels reflect excellent responsiveness to assessment area credit needs.
- An adequate percentage of residential and small business loans are made in the assessment area.
- The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects good penetration throughout the assessment area.
- The Bank makes extensive use of innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The Bank made an adequate level of community development loans within its assessment area.

INVESTMENT TEST

The Investment Test is rated **Satisfactory** based on the following:

- The Bank made an adequate level of qualified investments during the evaluation period, which consisted solely of community development donations. In addition, the Bank has \$1.5 million in qualified equity investments, which were made prior to the current evaluation period. While not innovative or complex, the Bank demonstrated adequate responsiveness to the needs of the AA through its community development donations.

SERVICE TEST

The Service Test is rated **Outstanding** based on the following:

- The Bank is a leader in providing community development services. In addition, the Bank's services are readily accessible to all portions of the assessment area. The Bank's business hours and services do not vary in a way that inconveniences any portions of the assessment area. The Bank did not open or close any branches during the evaluation period.

PERFORMANCE CONTEXT

Description of Institution

Hampden Bank is a full-service Massachusetts chartered stock savings bank headquartered in Springfield, Massachusetts. The Bank, founded in 1852 as a mutual savings bank, converted to stock ownership in 2004. Hampden Bancorp, Inc., a state chartered mutual holding company, established in January 2007 and also headquartered in Springfield, Massachusetts, is the sole stockholder of Hampden Bank. The Bank operates the Hampden Bank Charitable Foundation, Inc. to coordinate its charitable giving.

In addition to its main office, the Bank operates three full-service branches in Springfield, two in Longmeadow, and one branch each in Agawam, Indian Orchard (a village of Springfield), West Springfield, and Wilbraham. The Bank operates automated teller machines (ATMs) at each of its offices. All branches are located in Hampden County, which is wholly encompassed within the Springfield, Massachusetts Metropolitan Statistical Area (MSA).

According to the June 30, 2014 Call Report, the Bank had total assets of \$693.3 million. Assets as of the quarter ending (June 30, 2011) before the prior CRA evaluation (August 15, 2011) were \$560.3 were million. The loan portfolio also increased to \$513.6 million from \$403.5 million during the same timeframe. Table 1 details the distribution of the Bank's loan portfolio by loan type as of June 30, 2014.

Table 1 – Loan Portfolio at June 30, 2014		
Loan Type	Dollar Amount \$(000)	Percent of Total Loans (%)
Construction and Land Development	39,996	7.8
1-4 Family Residential	185,196	36.1
Multi-Family (5 or more) Residential	11,888	2.3
Commercial Real Estate	111,991	21.8
Total Real Estate Loans	349,071	68.0
Commercial and Industrial	131,567	25.6
Consumer	32,978	6.4
Farm / Other	0	0.0
Total Loans	513,616	100.0

Source: Report of Condition and Income (Call Report)

Collectively, the categories of commercial real estate and commercial and industrial loans account for 47.4 percent of the loan portfolio. This percentage is relatively consistent with the 45.8 percent these loan types represented as of the prior evaluation. However, a significant increase is evident in the category of commercial and industrial, as this loan type represented 8.9 percent of the portfolio as of June 30, 2011, but 25.6 percent at present. Loans secured by 1-4 and multi-family properties represent a combined 38.4 percent of the portfolio, which is a decrease from the prior evaluation, at which time these loan types accounted for 46.5 percent.

The primary factor contributing to the increase in commercial and industrial loans is the Bank's involvement with a small business lending initiative through the State of Massachusetts.

The FDIC and the Division last evaluated the Bank's CRA performance on August 15, 2011, and assigned an overall rating of "Outstanding." There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area.

Description of Assessment Area

The CRA requires each financial institution to define assessment area(s) within which its CRA performance will be evaluated. The Bank's assessment area (AA) meets the technical requirements of the CRA. The Bank-defined AA encompasses 60 census tracts within eight cities and towns, including Agawam, East Longmeadow, Hampden, Longmeadow, Southwick, Springfield, Wilbraham, and West Springfield.

Economic and Demographic Information

The City of Springfield accounts for all low- and moderate-income tracts in the AA. Furthermore, the city contains the majority of the population in the AA, is the center of economic activity in western Massachusetts, and is the third largest city in the state by population. Table 2 illustrates select demographic information for the AA.

Table 2 – Demographic Information for the Assessment Area					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	60	23.3	25.0	30.0	21.7
Population by Geography	270,253	18.1	27.5	28.6	25.8
Owner-Occupied Housing by Geography	64,141	5.7	23.2	35.6	35.5
Non-Farm Businesses by Geography (2012)	20,822	21.9	23.5	24.4	30.2
Family Distribution by Income Level	66,526	27.8	16.0	18.5	37.6
FFIEC-Adjusted Median Family Income for 2012	\$70,200	Median Housing Value Unemployment Rate (2010)			\$198,820
FFIEC-Adjusted Median Family Income for 2013	\$66,100				6.2%
Families Below Poverty Level	14.3%				

Source: 2010 U.S. Census data and 2010 FFIEC-updated median family income data, Dun & Bradstreet (D&B) business data.

The AA has 110,029 housing units. Of these, 80.1 percent are 1-4 family units and 19.1 percent are multi-family units. Only 58.3 percent of housing units are owner-occupied, while 34.0 percent are rentals and 7.7 percent is vacant.

Table 2 shows a relatively consistent distribution of non-farm businesses through the AA. Furthermore, 71.8 percent of businesses had revenues of \$1 million or less, and 91.8 percent operate from a single location. It is further noted that 81.5 percent of businesses own property in the AA. Businesses engaged in the services and retail trade industries comprise 59.0 percent of area businesses. Finance, insurance, and real estate account for 9.5 percent of the businesses, and construction represents 7.1 percent. Given that small businesses and businesses owning property represent a majority of area businesses, there is a considerable market for commercial real estate lending.

Competition

The Bank's AA is a highly competitive market for both residential and business lending. Several national and regional banks have branches in the Springfield area, including Bank of America, N.A., TD Bank, N.A., RBS Citizens, N.A., Berkshire Bank, and Peoples United Bank. Market share data from 2012 shows that 235 institutions originated or purchased at least a single residential loan in the Bank's AA.

Small business market share data shows that 53 institutions originated or purchased at least one small business loan in the Bank's AA. The local institutions ranked ahead of Hampden Bank were Westfield Bank, United Bank, and Peoples United Bank. Other institutions ranked ahead

of the Bank are much larger in size, including American Express FSB, GE Capital Retail Bank, Capital One N.A., Citibank, N.A., Capital One Bank USA, N.A. Each of these institutions offer small business credit card lending, a product not offered by Hampden Bank.

Community Contacts

Examiners reviewed existing community contacts conducted in the AA, and contacted representatives of one local organization in conjunction with this evaluation. These contacts provided information regarding specific credit and community development needs of the AA.

The contacts indicated that the AA is in need of affordable homeownership and rental opportunities. One contact indicated that local financial institutions have been generally responsive to the need for first-time homebuyer programs and financial counseling. The contact referenced potential barriers to homeownership for low- and moderate-income individuals such as poor (or no) credit history. Additionally, the contact expressed a need for small dollar loans for personal expenses such as education and transportation.

Based on a review of economic and demographic data, as well as information provided by the community contacts, the credit and community development needs of the AA include affordable housing, small dollar loan programs, and home improvement loans. These particular needs are in addition to the demand and opportunity for small business and home mortgage lending throughout the AA.

SCOPE OF EXAMINATION

The FDIC and Division used Large Bank procedures to evaluate the institution's performance under the CRA. As the institution had total assets of \$693.3 million as of June 30, 2014, it is considered an "Intermediate Small Bank" (ISB); however, management opted to be evaluated as a "Large Bank." Although not required of an ISB, the institution voluntarily collected and reported information on its small business loans. Unless otherwise noted, this evaluation considered lending, investment, and service activity from the last evaluation date (August 15, 2011) through the date of this evaluation (September 30, 2014).

Based on loan volume during the evaluation period, the Bank is primarily a residential lender; however, the Bank also originates small business loans. Therefore, residential loans and small business loans were subject to analysis. The Bank's residential lending performance is assigned slightly greater weight than small business lending performance in arriving at overall conclusions and ratings under the Lending Test. As the Bank did not originate any small farm loans, and consumer loans account for a small portion of total lending activity, these loan types were not subject to further analysis.

Examiners analyzed lending data for 2012, 2013, and the first two quarters of 2014. Home mortgage and small business lending performance in 2012 is compared against aggregate and demographic data. As aggregate data for 2013 was not available as of this evaluation date, 2013 lending performance was compared against applicable demographic data. The Bank's 2013 and year-to-date (YTD) 2014 residential and small business lending performance is referenced to highlight any trends or anomalies, as applicable.

This evaluation also includes an analysis of community development loans, innovative and flexible lending practices and products, qualified investments, and community development services extended and/or provided from August 15, 2011 through September 30, 2014. Furthermore, the evaluation also considers qualified investments made prior to the current evaluation date.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluates an institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending, as applicable. The institution's lending performance is evaluated pursuant to the following criteria: (1) the volume of lending activity; (2) the proportion of lending within the assessment area(s); (3) the dispersion of loans and the number and the amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); (4) the distribution of loans among low-, moderate-, middle- and upper-income borrowers and businesses of different sizes; (5) the distribution of small business and small farm loans by loan amount at origination; (6) the volume of community development lending; and, (7) the use of innovative or flexible lending practices. Performance under the Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The Bank's Lending Test rating is **High Satisfactory**. The following sections discuss the Bank's performance under each Lending Test criterion.

Lending Activity

In 2012, 2013, and the first two quarters of 2014 the Bank originated 853 residential loans totaling \$87.9 million in the AA. During the same period, the Bank originated 197 small business loans totaling \$43.5 million in the AA. This level of lending activity, considering the high level of competition, reflects excellent responsiveness to AA credit needs. The following sections discuss performance by loan type.

Residential Lending

In 2012, the Bank originated or purchased 394 home mortgage loans totaling \$42.1 million in the AA. Of 235 lenders that originated or purchased at least one home mortgage loan in the AA in 2012, the Bank ranked 2nd, with a 4.7 percent market share. Wells Fargo Bank, N.A. ranked 1st with a 12.0 percent market share.

Reflecting a decrease from 2012 levels, the Bank originated 353 home mortgage loans totaling \$37.2 million in the AA in 2013. While the volume of home purchase and home improvement loans increased from 2012 to 2013, refinance activity declined by almost half. The decrease in refinance loans is attributed to the generally increasing mortgage interest rates in 2013. Furthermore, the Bank originated 106 HMDA-reportable loans totaling \$8.7 million in its AA in the first two quarters of 2014.

Small Business Lending

Hampden Bank originated 78 small business loans totaling \$15.9 million in its AA in 2012. Of the 53 institutions that originated or purchased at least one small business loan in the AA in 2012, the Bank ranked 16th, with a 1.2 percent market share by number of loans. The local institutions that ranked ahead of Hampden Bank were Westfield Bank, United Bank, and Peoples United Bank. The rest of the institutions ranked ahead of the Bank are much larger in size, including American Express FSB, GE Capital Retail Bank, Capital One N.A., Citibank, N.A., Capital One Bank USA, N.A. Each of these institutions offer small business credit card lending,

a product not offered by Hampden Bank. While the Bank has a smaller market share by number of loans, their market share by dollar volume is 7.3 percent. Hampden Bank's market share by dollar exceeds all but four institutions ranked ahead of the Bank by number of small business loans.

In addition, the Bank made 70 small business loans totaling \$17.3 million in the AA in 2013, and 49 small business loans totaling \$10.3 million in the first two quarters of 2014.

Assessment Area Concentration

Overall, the Bank made an adequate percentage of loans inside its AA between January 1, 2012 and June 30, 2014. The Bank consistently made an adequate percentage of home mortgage and small business loans in the AA throughout the evaluation period. Table 3 illustrates the distribution of loans inside and outside the AA by loan type, purpose and year.

Table 3 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total #	Inside		Outside		Total \$ (000)
	#	%	#	%		\$ (000)	%	\$ (000)	%	
Home Loans										
2012										
Home Purchase	74	44.0	94	56.0	168	10,661	61.2	6,760	38.8	17,421
Refinance	217	73.1	80	26.9	297	27,857	73.7	9,921	26.3	37,778
Home Improvement	103	74.1	36	25.9	139	3,544	57.2	2,648	42.8	6,192
Total	394	65.2	210	34.8	604	42,062	68.5	19,329	31.5	61,391
2013										
Home Purchase	98	51.0	94	49.0	192	16,015	61.8	9,904	38.2	25,919
Refinance	117	65.7	61	34.3	178	16,711	66.8	8,319	33.2	25,030
Home Improvement	138	82.6	29	17.4	167	4,434	65.5	2,330	34.5	6,764
Total	353	65.7	184	34.3	537	37,160	64.4	20,553	35.6	57,713
YTD 2014										
Home Purchase	35	50.0	35	50.0	70	5,277	58.8	3,697	41.2	8,974
Refinance	19	67.9	9	32.1	28	2,332	66.7	1,169	33.3	3,501
Home Improvement	52	85.2	9	14.8	61	1,077	61.7	668	38.3	1,745
Total	106	66.7	53	33.3	159	8,686	61.1	5,534	38.9	14,220
Total Home Loan	853	65.6	447	34.4	1,300	87,908	65.9	45,416	34.1	133,324
Small Business Loans										
2012	78	69.0	35	31.0	113	15,874	66.7	7,928	33.3	23,802
2013	70	68.0	33	32.0	103	17,317	69.8	7,488	30.2	24,805
YTD 2014	49	62.8	29	37.2	78	10,338	56.1	8,079	43.9	18,417
Total Small Business	197	67.0	97	33.0	294	43,529	64.9	23,495	35.1	67,024
Grand Total	1,050	65.9	544	34.1	1,594	131,437	65.6	68,911	34.4	200,348

Source: 2012, 2013, and 2014 YTD HMDA LARs and Small Business Loan Registers (LRs).

Borrower Characteristics

The distribution of borrowers reflects good penetration of loans to borrowers of different income levels and businesses of different sizes. A good penetration of home mortgage loans to low- and moderate-income borrowers, and good penetration of loans to businesses with Gross Annual Revenues (GARs) of \$1 million or less support this conclusion. The following sections discuss the Bank's performance under this criterion by loan type.

Residential Lending

The distribution of home mortgage borrowers reflects good penetration of loans to borrowers of different income levels. Table 4 illustrates the distribution of home mortgage loans in 2012 and 2013 by income level. Aggregate and relevant demographic data are also presented for comparison purposes.

Table 4 – Distribution of HMDA Loans by Borrower Income Level						
Borrower Income Level	% of Total Families (2010 Census)	2012 Bank Lending		2012 Aggregate Lending Data	2013 Bank Lending	
		#	%	(% of #)	#	%
Low	27.5	24	6.1	8.5	31	8.8
Moderate	16.0	76	19.3	19.6	72	20.4
Middle	18.5	89	22.6	23.2	77	21.8
Upper	38.0	183	46.4	41.3	154	43.6
NA*	0.0	22	5.6	7.4	19	5.4
Total	100.0	394	100.0	100.0	353	100.0

Source: 2010 US Census data, 2012 and 2013 Bank HMDA LAR, and 2012 Aggregate HMDA Data.

As shown in Table 4, the Bank's level of lending to low-income borrowers in 2012 was below aggregate and demographic data. However, the Bank ranked 6th in lending to low-income borrowers, with a market share of 3.5 percent, which is slightly below the Bank's overall market ranking in the AA. The lenders ranking ahead of Hampden Bank include large, national or regional institutions, which collectively accounted for over 40.0 percent of loans to low-income borrowers in 2012.

Although less than demographic data in 2012, it is noted that a low-income family, which would have an income of \$35,100 or less, would likely not qualify for a home mortgage loan using conventional underwriting standards, especially considering the average housing value in the AA of \$198,820. Furthermore, the level of lending to low-income borrowers, by number and percentage, increased in 2013.

Hampden Bank's level of lending to moderate-income borrowers in 2012 was consistent with aggregate, and exceeded demographic data. The Bank ranked 4th in lending to moderate-income borrowers, which is relatively consistent with its overall market ranking in the AA in 2012. The level of lending to moderate-income borrowers was consistent in 2013, when compared to 2012 levels.

The Bank's extensive use of innovative and flexible home mortgage loan programs contributed to good performance under this criterion, as the programs were successful in serving the credit needs of low- and moderate-income borrowers during the evaluation period. Considering the Bank's market rankings, significant level of competition in the AA, increasing trend between 2012 and 2013, and other performance context factors, the Bank's record of home mortgage lending to low- and moderate-income borrowers is good.

Small Business Lending

The distribution of small business borrowers reflects good penetration of loans to businesses of different sizes. Table 5 illustrates the distribution of small business loans in 2012 and 2013 by GAR level. Aggregate and relevant demographic data are also presented for comparison purposes.

Table 5 – Distribution of Small Business Loans by GAR Level							
GAR \$('000s)	2012 Total Businesses	2012 Aggregate Data	2012 Bank Lending Data		2013 Total Businesses	2013 Bank Lending Data	
	%	%	#	%	%	#	%
≤ \$1,000	71.8	37.5	38	48.7	72.0	35	50.0
> \$1,000	5.4	62.5	40	51.3	5.8	34	48.6
Revenues N/A	22.8	0.0	0	0.0	22.2	1	1.4
Total	100.0	100.0	78	100.0	100.0	70	100.0

Source: 2012 and 2013 D&B Data, 2012 and 2013 Bank Small Business LR's, and 2012 Aggregate Data.

As shown in Table 5, the Bank's level of lending to businesses with GARs of \$1 million or less exceeded aggregate, but was below demographic data in 2012. This level of lending to small businesses resulted in a market rank of 16th with a 1.1 percent market share. Two local lenders ranked ahead of the Bank, including Westfield Bank at 7th with a market share percentage of 4.8 percent, and United Bank at 10th with a market share percentage of 3.0 percent. While the number of loans to small businesses decreased slightly from 2012 to 2013, the percentage increased. Furthermore, the distribution of small business loans by loan amount further supported good performance under this criterion.

Geographic Distribution

The distribution of loans reflects good dispersion throughout the AA. A good dispersion of home mortgage and small business loans in low- and moderate-income geographies support this conclusion. The following sections discuss the Bank's performance under this criterion by loan type.

Residential Lending

The distribution of home mortgage loans reflects good dispersion throughout the AA. Table 6 illustrates the distribution of home mortgage loans in 2012 and 2013 by census tract income level. Aggregate and relevant demographic data are also presented for comparison purposes.

Table 6 – Distribution of HMDA Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner- Occupied Housing Units (2010 Census)	2012 Aggregate Lending Data	2012 Bank Loans		2013 Bank Loans	
		% of #	#	%	#	%
Low	5.7	3.1	16	4.1	17	4.8
Moderate	23.2	16.0	74	18.8	67	19.0
Middle	35.6	34.3	175	44.4	120	34.0
Upper	35.5	46.6	129	32.7	149	42.2
Total	100.0	100.0	394	100.0	353	100.0

Source: 2010 US Census data, 2012 and 2013 Bank HMDA LARs, and 2012 Aggregate HMDA data.

As shown in Table 6, the Bank's level of lending in low-income tracts exceeded aggregate in 2012, but was below demographic data. Additionally, the Bank ranked 4th with a 6.0 percent market share. The top three lenders were Wells Fargo Bank NA, RBS Citizens, N.A., and Bank of America, N.A. These institutions are much larger than Hampden Bank, and accounted for nearly one-third of all home mortgage loans made in low-income tracts in 2012.

Hampden Bank also exceeded aggregate in terms of lending in moderate-income geographies in 2012, but was below demographic. The Bank's market share in moderate-income tracts was 4th, with a share of 5.2 percent. The top three lenders are the same as those listed above.

The Bank's extensive use of innovative and flexible home mortgage loan programs, such as *Buy Springfield Now* (See Page 15), contributed to its good performance under this criterion. These lending programs responded well to the credit needs of low- and moderate-income geographies in the AA during the evaluation period. Considering the Bank's market rankings, significant level of competition in the AA, increasing trend between 2012 and 2013, and other performance context factors, the Bank's record of home mortgage lending in low- and moderate-income tracts of the AA is good.

Small Business Lending

The distribution of home mortgage loans reflects good dispersion throughout the AA. Table 7 illustrates the distribution of home mortgage loans in 2012 and 2013 by census tract income level. Aggregate and relevant demographic data are also presented for comparison purposes.

Table 7 – Distribution of Small Business Loans by Census Tract Income							
Census Tract Income Level	Aggregate Lending Data 2012	Business Distribution 2012	Bank Loans 2012		Business Distribution 2013	Bank Loans 2013	
	% of #	%	#	%	%	#	%
Low	20.0	21.9	21	26.9	21.9	20	28.6
Moderate	22.8	23.5	26	33.3	23.2	14	20.0
Middle	30.2	24.4	12	15.4	24.6	20	28.6
Upper	27.0	30.2	19	24.4	30.3	16	22.8
Total	100.0	100.0	78	100.0	100.0	70	100.0

Source: 2012 and 2013 Bank Small Business LRs, 2012 Aggregate Small Business Data, and 2012 and 2013 D&B Data.

As shown in Table 7, the Bank's level of lending in low-income tracts in 2012 exceeded aggregate and demographic data. Hampden Bank also exceeded aggregate and demographic data in terms of lending in moderate-income geographies in 2012. The percentage of small business loans in low-income tracts increased in 2013, and the percentage of loans in moderate-income tracts decreased.

Community Development Loans

The FDIC and Division evaluated the Bank's community development lending activities pursuant to the following criteria: (1) the extent to which community development lending opportunities are available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending.

A community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

Hampden Bank made an adequate level of community development loans, at two loans totaling \$1.2 million in its AA during the evaluation period. The following points illustrate the community development loans made by the Bank during the evaluation period:

- The Bank made a \$1.1 million Small Business Administration (SBA) 504 loan for purchasing a local restaurant/function hall. This loan has a purpose of economic development, as it helped retain the business and employment for low-income individuals in the Bank's AA.
- The Bank originated a \$100,000 loan to a community service agency for the construction of affordable housing for low- and moderate-income individuals and families in Springfield.

Innovative and Flexible Loan Products

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

Hampden Bank makes extensive use of innovative and/or flexible lending practices in order to serve AA credit needs. Detailed below are examples of the Bank's innovative or flexible lending activities during the evaluation period.

- Massachusetts Housing Finance Agency (MassHousing) First Mortgages: This program provides an affordable 30-year fixed-rate loan for low- or moderate-income homebuyers. Along with a reduced rate, the product offers a low down payment as well as flexible underwriting and payment protection services. The Bank originated 141 MassHousing first mortgage loans totaling \$19.6 million during the evaluation period. MassHousing recognized Hampden Bank for "Best Overall Performance by a Bank" in 2014.
- MassHousing HEAT, Septic Repair, Home Improvement, and Get the Lead Out loan programs: These programs offer significantly reduced interest rates, including zero-interest loans for qualifying lower-income borrowers, providing homeowners with a low-cost means for energy assistance and home improvements. During the evaluation period, the Bank originated 314 HEAT loans totaling \$2.9 million; 3 Septic Repair loans totaling \$37,700; 4 Home Improvement loans totaling \$76,505; and 14 Get the Lead Out loans totaling \$303,722.
- Buy Springfield Now: This is a joint private and public partnership that seeks to promote and preserve homeownership in the City of Springfield. Through this program, potential homebuyers are given the opportunity to purchase a home in Springfield. Features of the program for owner-occupied 1-4 family homes include up to 97 percent loan-to-value financing (no down payment required in some cases), up to 0.5 percent toward closing costs on all MassHousing loans (maximum of \$1,000), credit of \$300.00 at closing on all Hampden Bank portfolio loans, and no point programs. During the evaluation period, the Bank originated 131 loans totaling \$12.2 million to low- and moderate-income borrowers under this new program.
- First-Time Homebuyer (FTHB) programs: This program offers flexible underwriting, reduced fees, and lower rates. The Bank originated 222 loans totaling \$30.4 million under this program during the evaluation period.

- Springfield Housing Authority Section 8 Homeownership program: The Bank offers this program to individuals who have participated in the Section 8 Housing Choice Voucher Program. Participants may qualify to purchase a home with their Section 8 assistance, instead of renting. The Bank originated 10 loans totaling \$1.0 million under this program during the evaluation period.
- Secured Personal Loan: The Bank created a secured personal loan product during the evaluation period. The product is designed to provide borrowers with limited credit history access to credit on affordable terms. The product is targeted toward under-banked and unbanked segments of the population, primarily those of low- or moderate-income levels. The Bank made 168 such loans totaling \$153,150 during the evaluation period.
- Massachusetts Capital Access Program: The Bank participates in the Massachusetts Capital Access Program (MASSCAP). MASSCAP is designed to help small businesses (with less than \$5 million in revenues) throughout Massachusetts obtain loans from participating banks. Using cash collateral guarantees from a loan loss reserve fund, this program enables banks to make loans they might otherwise be unable to grant. During the evaluation period, the Bank originated one loan for \$152,322 under this program.
- SBA 504 Loan Program: This loan program provides long-term fixed asset financing made through a Certified Development Company. Generally, the loan structure includes a 10 percent equity investment by the small business, 40 percent participation from the CDC, and 50 percent participation by the Bank. During the evaluation period, Hampden Bank originated four loans totaling \$2.3 million.
- SBA 7a Loan Program: This program offers a maximum loan amount of \$5.0 million, and the SBA guarantees most loans for 75 percent of the value. During the evaluation period, Hampden Bank originated one loan for \$165,000 through this program.

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment areas or a broader statewide or regional area that includes the institution's assessment areas. A qualified investment for the purpose of this CRA evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose. Community development purposes include those that either: 1) provide affordable housing for low or moderate-income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; or 4) revitalize or stabilize low- or moderate-income geographies. Activities considered under the Lending Test or Service Test may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

The Bank's Investment Test performance is "Satisfactory." The Bank has an adequate level of qualified investments. The community development donations made during the evaluation period exhibit adequate responsiveness to credit and community economic development needs. However, it is noted that the Bank did not make any new qualified equity investments during the evaluation period.

The Bank's qualified investments total \$2.4 million, including \$1.5 million in prior period equity investments and \$904,147 in qualified donations. The following sections detail these investments by type:

Equity Investments

Community development investments made prior to the current evaluation period have a current book value (September 22, 2014) of \$1.5 million. This represents 3.9 percent of total investments. Specifically, the Bank holds four mortgage-backed securities collateralized by loans to low- and moderate-income borrowers. The underlying mortgages are primarily in the AA, with the remainder in the broader regional area of Western Massachusetts. Furthermore, this total reflects a significant decline in qualified equity investments since the prior evaluation.

Qualified Donations

Hampden Bank made 197 qualified donations totaling \$904,147 during the evaluation period. Donations made through its charitable foundation were included in the totals. Table 8 details the Bank's community development donations by category and year.

Table 8 – Community Development Grants and Donations by Category					
Category	8/15/2011- 12/31/2011	2012	2013	YTD 2014	Total
	\$	\$	\$	\$	\$
Affordable Housing	0	0	9,562	8,500	18,062
Community Services	83,500	105,000	305,150	188,585	682,235
Revitalization/Stabilization	10,000	5,000	8,350	20,500	43,850
Economic Development	0	55,000	52,500	52,500	160,000
Total	93,500	165,000	375,562	270,085	904,147

Source: Bank records

The following is a sample of the community development organizations to which the Bank or its charitable foundation made qualified donations during the evaluation period.

- *Community Foundation of Western Massachusetts*: This foundation administers a charitable endowment consisting of approximately 528 separately identified funds that serve the three counties bordering the Connecticut River in Western Massachusetts (Hampden, Hampshire, and Franklin Counties). The Bank's donations were targeted toward services provided to low- and moderate-income individuals.
- *Develop Springfield*: This organization promotes economic development and revitalization efforts within the City of Springfield.
- *Caring Health Center, Inc.*: The center serves the Springfield community as a first point of entry to the healthcare system and as the gateway for all additional healthcare services for underserved populations, primarily those who are of low- or moderate-income levels.

- *Open Pantry Community Services:* The pantry provides emergency food services, social services, housing assistance, and health service referrals. All services are targeted toward low-income individuals.

SERVICE TEST

The Service Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that serve low- or moderate-income individuals; 3) the availability and effectiveness of alternative systems for delivering retail banking services in low- and moderate-income areas and to low- and moderate-income individuals; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs in those geographies.

The Bank's Service Test performance is "Outstanding." The following sections detail the Bank's performance under each Service Test criterion.

Distribution of Branches

The Bank's delivery systems are readily accessible to all portions of the AA. The Bank operates 10 branches throughout the Greater Springfield area. While the percentage of branches in moderate-income tracts is slightly below the percentage of tracts and population in this income level, the percentage of branches in low-income tracts exceeds the demographic comparisons. As previously noted, the Bank operates an ATM at each branch. The distribution of the Bank's retail branches is detailed in Table 9.

Table 9 – Distribution of Branches				
Census Tract Income Level	Percent of Tracts	Percent of Population	Branches	
			#	%
Low	23.3	18.1	3	30.0
Moderate	25.0	27.5	2	20.0
Middle	30.0	28.6	2	20.0
Upper	21.7	25.8	3	30.0
Total	100.0	100.0	10	100.0

Source: Bank Records

Record of Opening and Closing Branches

The Bank did not open or close any branches since the prior evaluation, dated August 15, 2011. Therefore, this criterion did not impact the Bank's Service Test rating.

Retail Banking Services

Services and business hours do not vary in ways that inconvenience any portion of the AA, particularly low- and moderate-income geographies or individuals. The Bank's hours of operation are comparable to other local institutions. A majority of the Bank's branches are open from 9:00 a.m. to 4:00 p.m. Monday through Wednesday, and offer extended hours on Thursdays and Fridays until 5:00 or 6:00 p.m. Additionally, a majority of branches offer lobby hours on Saturday between 9:00 a.m. to 1:00 p.m., and seven branches offer drive-up hours starting at 8:00 a.m.

Alternative Delivery Systems

The Bank operates ATMs at each full-service branch, and is a member of the SUM network of ATMs, which provide free access across all in-network ATMs. Other alternative delivery systems include telephone, online, and mobile banking. Each of these alternative delivery systems provide bill-pay, transfer, and account management capabilities.

Community Development Services

The institution's community development services are evaluated pursuant to the following criteria: 1) the extent to which the Bank provides community development services; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and, 4) their responsiveness to available opportunities for community development services.

Hampden Bank is a leader in providing community development services. Table 10 illustrates the Bank's community development services by purpose and year throughout the evaluation period.

Table 10 - Community Development Services						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalization or Stabilization	Neighborhood Stabilization Projects	
	#	#	#	#	#	
08/15/2011–12/31/2011	3	5	0	1	0	9
2012	10	22	4	0	0	36
2013	5	30	6	2	0	43
1/1/2014 - 9/30/2014	3	9	1	1	0	14
Total	21	66	11	4	0	102

Source: Bank Records.

The Bank's community development services included numerous instances of employees providing technical or financial expertise by serving on Boards or Committees of area organizations that provide community services, or focus on economic development and revitalization. The following illustrates notable examples of community development services during the evaluation period:

- *Business Growth Development Center:* The mission of the Business Growth Center is to help businesses, often led by groups underrepresented in the community of business owners, thrive and contribute to a revitalized economy in Springfield and beyond. The organization provides office space, free business resources and mentoring programs for small to medium sized businesses poised for growth. The President/Chief Executive Officer served as the Board Chair during the evaluation period.
- *Gasoline Alley Foundation:* The mission of the Gasoline Alley Foundation is to teach underprivileged inner city youth to be successful entrepreneurs, while revitalizing inner city neighborhoods with a concentration on socially responsible business practices. The organization coordinates financial literacy training as well as small business-focused resources. An Assistant Vice President of Retail Banking was a committee member during the evaluation period.
- *Top Floor Learning:* This non-profit organization assists residents of Hampden County by providing adult literacy and lifelong learning courses to the community. The organization coordinates educational seminars focused on GED programs, Citizenship classes, or English as a Second Language classes. A majority of those served by the organization are of low- or moderate-income levels. A Senior Vice President of the Retail Division acted as the Treasurer of the organization in 2012.
- *Volunteer Income Tax Assistance (VITA):* In concert with Springfield Partners for Community Action, three bank employees assisted in the tax preparation program in 2013. The program is administered primarily to low-income residents of Hampden County. One of the goals of the program is to encourage the recipients of refunds to avoid the high cost of tax refund loans and to utilize direct deposit.
- *Maple High Six Corner Neighborhood Council:* This organization is community-based, and is located in a low-income census tract of Springfield. Their mission is to unite and engage residents in the revitalization of the neighborhood in response to the 2011 tornado damage. A Vice President acted as a special liaison between the Council, HAP housing, and Rebuilding Springfield to strategize the revitalization of the neighborhood.
- *Buy Springfield Now:* The community program is a coalition composed of non-profit organizations, local financial institutions, and local business owners. The organization's goal is to promote owner-occupied home purchases throughout Springfield. The majority of Springfield census tracts are low- or moderate-income. The organization provides numerous services in concert with their mission of providing flexible lending, down payment assistance, buyer education and resource referral. A Vice President served on the Steering Committee, and served as co-chair and treasurer of the organization in 2011.
- *Homeowners Options for Massachusetts Elders (HOME):* HOME is a charitable non-profit statewide agency, which is dedicated to protecting the equity of low- and moderate-income elder homeowners. As an independent third party, HOME does not charge fees to its clients. The organization provides services in the form of counseling, elder financial literacy, and specialized intervention and advocacy on behalf of elderly homeowners. A Senior Vice President serves as the Vice President of HOME.

- United Way of Pioneer Valley – Financial Stability Network: The mission of the financial stability network is to strengthen the economic climate of Hampden County and its residents through the integration of services and resources. The goals of the network include workforce development, financial literacy, and housing assistance. The organization targets its services toward low- and moderate-income individuals. A Branch Manager served on the Steering Committee in 2012 and 2013, assisting the network in shaping and achieving policy objectives.
- Credit for Life: Advisory Committee: Credit for Life is a financial literacy program targeted toward young adults, and is provided throughout Hampden County. A Commercial Credit Officer served on the Advisory Committee in 2014.

In addition to the services noted above, the Bank has also reached out to numerous organizations throughout its assessment area to offer financial education seminars. The following is a representative sample of financial education activities provided by the Bank, and the organizations with which the Bank partnered:

- Holyoke Housing Authority: The Bank developed and conducted four First-Time Homebuyer classes in conjunction with the Holyoke Housing Authority. The service area of the Housing Authority is predominately low- and moderate-income. Topics covered in the classes include the application process, credit building and rebuilding strategies, and home ownership guidance and basic banking information. The classes, conducted in 2012 and 2014, were also translated into Spanish. Over 70 individuals attended these classes.
- New England Business Associates: The Bank developed a three-day financial literacy course that was targeted toward women who had recently lost their welfare income and were in the process of gaining employment. The class, conducted in 2012, covered basic banking information, as well as credit and budget planning.
- Savings Makes Cents: This is a state-sponsored basic financial literacy course. The curriculum is geared toward elementary school students and includes basic budgeting, how to open a savings account, and the origin of money. The classes were conducted by various employees in 2012 in the Talmadge School, the Balliet School and the Indian Orchard School. The majority of students obtain free or reduced-price lunches.
- Credit For Life Fairs: Credit for Life is a financial literacy program targeted toward young adults, and is provided throughout Hampden County. Credit For Life is a half-day session for high school seniors where they make decisions about expenses related to housing, insurance, credit, transportation, food and clothing, retirement, savings, and incidentals. Several employees participated in multiple fairs (two in 2012, two in 2013, and three in 2014), reaching hundreds of students throughout the evaluation period.
- Mercy Hospital - “Mini”Credit For Life Seminar: A basic credit and financial literacy seminar was created for pregnant high-school students receiving health services in Springfield. Life topics and financial responsibilities were discussed in a similar fashion to the larger-scale Credit For Life fairs. The class was conducted in the fall of 2013.

Other Community Development Services

- *Individual Development Account (IDA)*: In concert with Springfield Partners for Community Action, the Bank has developed an account exclusively for participants in the IDA program. The purpose of the account is to encourage goal-oriented savings. Savings are matched for the purpose of buying a home, starting a business, or preparing for post-secondary education. Participants must meet low-income and low-asset guidelines, complete a financial literacy course, and in some cases contribute community service hours. Hampden Bank has maintained a working relationship with the Springfield Partners' IDA program throughout the evaluation period by contributing to the matching funds program, and assisting in the financial literacy courses.
- *Secured Personal Loan*: The Bank created a secured personal loan product the evaluation period. In addition to providing access to credit, the product is designed to help borrowers establish or reestablish their credit history through regular payments, and is generally utilized by under-banked, low- and moderate-income customers. The product has helped customers rebuild credit. This product designed to reestablish credit is unique to the area of Springfield. The Bank opened 159 accounts during the evaluation period.
- *First-Time Homebuyer Account*: The Bank developed a FTHB savings account for prospective borrowers. With a maximum deposit limitation and no monthly maintenance service charges, the account is tailored to meet the needs of those with limited resources.

APPENDIX A MINORITY APPLICATION FLOW

For 2012 and 2013, the Bank received 1,109 HMDA reportable loan applications from applicants within its designated AA (570 applications in 2012, 539 applications in 2013). Of these applications, 107 were to applicants of minority race (44 in 2012 and 63 in 2013). For the same period, the Bank received 105 applications from Hispanic/Latino applicants (42 applications in 2012 and 63 in 2013). In 2012, the Bank approved minority applications at a comparable rate to aggregate. Approximately 54.5 percent of minority applications by race were originated, and 64.2 percent of Hispanic/Latino applications were originated. Aggregate data show origination rates for these groups of 58.8 percent and 58.3 percent, respectively. In 2013, the Bank's approval rate of minority applications by race decreased to 46.0 percent, and the approval rate of Hispanic/Latino applications decreased to 55.5 percent.

The Bank's minority application flow was compared to aggregate data for 2012. The comparison of this data assists in arriving at reasonable expectations for the rate of applications the Bank received from minority residential loan applicants. Refer to Table A-1 for information on the Bank's minority application flow for 2012 and 2013, as well as the 2012 aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table A-1 – Minority Application Flow					
RACE	Bank 2012		2012 Aggregate Data	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	2	0.3	0.3	1	0.2
Asian	12	2.1	2.0	17	3.1
Black/ African American	24	4.2	4.5	36	6.7
Hawaiian/Pacific Islander	1	0.2	0.3	2	0.4
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	5	0.9	1.1	7	1.3
Total Minority	44	7.7	8.3	63	11.6
White	457	80.2	71.5	362	67.2
Race Not Available	69	12.1	20.2	114	21.2
Total	570	100.0	100.0	539	100.0
ETHNICITY					
Hispanic or Latino	36	6.3	6.6	55	10.2
Not Hispanic or Latino	454	79.7	72.5	343	63.6
Joint (Hisp/Lat /Not Hisp/Lat)	6	1.0	1.1	8	1.5
Ethnicity Not Available	74	13.0	19.8	133	24.7
Total	570	100.0	100.0	539	100.0

Source: 2012 and 2013 HMDA LAR Data, 2012 Aggregate Data.

According to the 2010 U.S. Census Data, the assessment area has a total population of 270,253, of which 40.1 percent are minorities. The area's minority population consists of 11.8 percent

Black/African American, 2.6 percent Asian/Pacific Islander, 0.2 percent American Indian, 23.8 percent Hispanic, and 1.8 percent Other.

While below the overall demographic, the Bank's performance was comparable to the aggregate performance level for minority applicants by race and ethnicity. The Bank received 7.7 percent of applications from minorities in 2012, compared to the aggregate level of 8.3 percent. The Bank received 7.3 percent of its applications from Hispanic/Latino applicants, compared to the aggregate level of 7.7 percent. In 2013, the Bank experienced an increase to its minority application levels to 11.6 percent by race, and 11.7 percent to Hispanic/Latino applicants.

The Bank's minority application flow, when compared to the aggregate lending performance levels, area demographics, and area competition, is adequate.

APPENDIX B GLOSSARY

GENERAL DEFINITIONS

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, (4) activities that revitalize or stabilize: (i) Low-or moderate-income geographies; (ii) Designated disaster areas; or (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the agencies, based on a. Rates of poverty, unemployment, and population loss; or b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the Banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional

financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 19 Harrison Avenue, Springfield, MA."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.